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HOW DOMESTIC IS DOMESTIC POLITICS?
Globalization and Elections

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■ **Abstract** Studies of how economic globalization influences domestic politics have disproportionately focused on questions of policy rather than politics. Recently, however, a number of studies have examined how economic globalization influences politics—specifically electoral politics. This article surveys these new studies, which have often appeared in disparate research areas, and argues that they constitute considerable evidence that international economic integration influences seemingly domestic political processes.

INTRODUCTION

How does international economic integration affect domestic politics? This question has motivated several classic texts in political science examining topics as varied as how trade dependence constrains industrial policy (Katzenstein 1985), how trade interacts with factor endowments to structure political cleavages (Rogowski 1989), and how different institutional and political arrangements yield varied responses to common economic shocks (Gourevich 1986). Since these milestones, a vibrant literature has continued to expand to the point where it has warranted multiple surveys (Berger 2000, Kapstein 2000, Brune & Garrett 2005). The sheer volume of literature in this area has made it easy to overlook an important fact: Very little of it addresses the effect of economic globalization on actual politics, understood more narrowly as electoral politics.

With a few notable exceptions, the literature on the domestic political consequences of economic integration has almost exclusively concerned itself with policy outcomes or with the interests that underlie politics. Consider some of the primary debates in the area: whether globalization undermines the welfare state or demands a larger welfare state to insulate citizens from the vagaries of global markets (Burgoon 2001); the effect of trade on support for further trade liberalization (e.g., Baker 2005); and to what degree globalization accounts for growing income inequality within developed countries (e.g., Wallerstein 1999, Goesling 2001). Although all of these debates are undoubtedly important, none of them can claim to address politics per se. Thus the question remains: What effects does globalization have on politics?

This article surveys mostly recent contributions that have emerged in the interstices of the globalization literature and addresses the relationship between global markets and electoral politics. Examining this relationship raises questions about how voters respond to their governments vis-à-vis economic outcomes generated abroad and, conversely, how governments seek to exploit exogenous economic fluctuations for electoral gain. To what degree has market integration altered the economic signals that voters use to evaluate their governments, altered the payoffs necessary to maintain patronage-based regimes in equilibrium, and enabled opportunistic governments to claim credit for economic outcomes not of their making? Globalization may be restructuring the relationship between governments and the governed.

That international economic integration should have any effect at all on electoral behavior is not a given. Ever since the culpability of globalization for the stagnant real wages of low-skilled workers in the developed world has come into dispute (Lawrence & Slaughter 1993), claims that the freer exchange of goods, services, and capital affects the vote have been met with skepticism. If the downward pressure on the wages of unskilled labor, and the consequent rise in income inequality, result more from technological change than from globalization, as some suggest (Lawrence & Slaughter 1993, Cline 1997), then some inequality effects attributed to globalization (see Brune & Garrett 2005) might actually stem from technological change. Of course, there are many other ways by which globalization may affect wages and other intervening variables that influence domestic politics, and this article examines four of them. First, I review a nascent literature on how employment insecurity influences electoral choice in developed democracies. Employment insecurity has received considerable attention in the relatively large literature on the compensatory role of the welfare state in insuring workers against the volatility of world markets (e.g., Rodrik 1998), and recent research associating insecurity with support for anti-establishment parties would give governments good cause for such social protection. Earlier doubts about the connection between employment insecurity and globalization (see, e.g., Iversen & Cusack 2000) have collapsed under new evidence that a particular type of capital mobility—foreign direct investment by multinational corporations—does raise employment insecurity of workers (Scheve & Slaughter 2004). Since this breakthrough, promising, but preliminary, new research has emerged associating globalization and employment insecurity with electoral responses.

Second, this article profiles the mounting evidence that voters adjust their electoral support for governments in accordance with national exposure to international markets. In systems that offer clear political responsibility for policy outcomes (Powell & Whitten 1993), voters have long been known to punish governments for poor economic outcomes. Several studies, however, have now suggested that economic interdependence (not unlike institutions that muddy the clarity of governmental responsibility) reduces accountability. Hellwig (2001) first demonstrated that where international economic integration is high, economic performance has a smaller effect on the vote. Since 2001, other contributions, reviewed here, have buttressed this original finding and explored how voters may extract competence signals from domestic and international economic variation.

Of course, governments are also capable of responding to global market integration for electoral gain. For example, the increasing internationalization of national economies offers opportunities to governments able to time their own elections. Economists have documented an impressive degree of comovement in macroeconomic aggregates across countries (Kose et al. 2003) with strong ties to international trade (Baxter & Kouparitsas 2005). Might not election-minded governments distort the voters' economic signal to their own benefit by timing elections to coincide with exogenous international expansions? Indeed, governments, where able, do opportunistically time elections with economic fluctuations that originate abroad (Kayser 2006). Other research has suggested that international business cycles might yield systematic partisan effects across multiple countries. The third section of this review considers these political consequences of covariation in national economies.

The fourth electoral effect of globalization to emerge in the literature addresses the fate of dominant party states in world markets. A striking pattern of decline among dominant parties has developed concomitant with the expansion of international trade and capital flows. Scholars have attributed this development, in part, both to the redistributive effects of international trade (Anderson & Ishii 1997, for Japan) and to the economic opportunity costs of the status quo (Diaz-Cayeros et al. 2003, for Mexico; Golden 2004, for Italy). In Japan, Mexico, and Italy, the international integration of markets changed the incentives of voters associated with particular sectors, motivating them to defect from the previous patronage system. These results naturally prompt questions about globalization's effect on democratization and institutional reform, which, although they transcend electoral politics, I consider in a brief conclusion.

Taken together, the articles surveyed here constitute a strong argument that globalization bears consequences for actual politics. Electoral phenomena including the popularity of anti-establishment parties, voters' responsiveness to the economy, the strategic timing of elections, and the decline of dominant party systems all find provenance in international economic integration. All of these findings are relatively recent and herald a new stream of research on the domestic consequences of globalization distinct from the more established literatures on policy consequences and income redistribution.

EMPLOYMENT INSECURITY

Since Rodrik (1998) revived the debate begun by Cameron (1978) on the effect of globalization on the size of government and refocused it on the role of worker insecurity, an extensive literature has emerged. Rodrik and others have argued that the economic insecurity induced by exposure to international markets demands greater levels of social welfare in the form of unemployment programs, retraining, and other social support for those adversely affected by market liberalization (e.g., Iversen & Soskice 2001). Empirical studies, most focusing on trade (e.g., Garrett 1998, Burgoon 2001), have indeed confirmed, to paraphrase Rodrik, that more open countries have bigger governments.

Others have been less convinced about the source of this correlation. Alesina & Wacziarg (1998), for example, raise the possibility of a spurious correlation by noting that wealthier states have both larger governments (Wagner's Law) and greater openness to trade. Iversen & Cusack (2000) cast doubt on the key intervening variable in the causal mechanism that connects globalization and welfare spending—economic insecurity. As they argue, for trade openness to increase economic insecurity, either (*a*) international price volatility must exceed that of domestic markets or (*b*) trade must concentrate rather than diversify economic risks. Neither condition seems to hold. Moreover, in developed OECD economies, they find no correlation between volatility in output and volatility in wages or unemployment. No evidence exists, they conclude, that international trade increases economic insecurity. For claims about the relationship between welfare spending and international economic integration to survive such challenges, it is clear that the mechanism must be compellingly confirmed.

Employment insecurity is certainly an established concern for social scientists (e.g., Gallie et al. 1994, Swinnerton & Wial 1995, Dominitz & Manski 1997), but hopes to establish a connection to global market integration had been dampened by the findings of Iversen & Cusack (2000). International trade, however, is not the only component of economic globalization. Scheve & Slaughter (2004), noting the internationalization of production as a distinguishing feature of late twentieth-century globalization (cf. Bordo et al. 1999, O'Rourke & Williamson 2000), identify certain types of international capital flows as a source of employment insecurity in British workers. Using survey data from 1991 to 1999, they show that cross-border direct investment by multinational enterprises—by raising the elasticity of demand for labor—raises the volatility of wages and unemployment.[1] This constituted the first valid evidence connecting globalization to economic insecurity or, more precisely, employment insecurity. Because income for the largest portion of the population is earned from employment, the insecurity of employment offers a sound proxy for economic insecurity.

How does this matter for politics? Absent a link to voting, employment insecurity would provide little incentive for politicians to insulate workers from the international economy.[2] Research is sparse in this area, but one notable and

[1]Possibly, this effect might also explain another unique role for foreign direct investment. Adams et al. (2006) have found that foreign direct investment predicts rightward policy shifts by right and centrist (but not left) parties in Europe.

[2]Evidence suggests that social spending—in contrast to unemployment benefits—reduces job insecurity in a 15-country OECD sample analyzed by Anderson & Pontusson (2001).

recent study connects employment insecurity to actual electoral politics. Mughan & Lacy (2002), in what may be the first use of employment insecurity as an explicit predictor of voting behavior, demonstrate that sociotropic employment insecurity—operationalized as a survey question about the "future of good jobs for Americans"—increased the likelihood of voting for the antiestablishment third-party candidate Ross Perot by 11 percentage points in 1996. Personal employment insecurity, like sociotropic insecurity, also increased the Perot vote (by eight points) but additionally raised the probability of abstaining by ten points. Insecure workers, however, were considerably more likely to register their discontent by voting for the third-party candidate than by abstaining.

The protest vote that buoyed Perot in the United States resembles a wave of success for right-wing populist parties elsewhere in the developed world. The 1990s, a period of noted public concern about globalization, also witnessed gains in popularity for such right-wing parties as the National Front in France, the Reform Party in Canada, the Freedom Party in Austria, and the People's Party in Switzerland. Most studies tie this success to racism and anti-immigrant sentiment (cf. Kitschelt 1997), but others identify a more direct role for employment insecurity. Most notably, Mughan et al. (2003), controlling for racism, education, employment status, and economic performance among the usual covariates, find evidence that personal (stronger) and sociotropic (weaker) job insecurity increased the probability of a vote for Pauline Hanson's populist One Nation Party in the October 1998 Australian general election. A person very optimistic about the future of good jobs for Australians had a 2.1% probability of voting for One Nation, whereas his very pessimistic counterpart's corresponding probability was 6.6%. Although limited, the evidence on balance suggests that economic insecurity bolsters nonestablishment parties.

A more fundamental question concerns partisan voting preferences: Do worries about employment security systematically benefit parties of the right or left? Initial, and to date singular, research suggests the latter. Employing a Markov-chain transition model on Eurobarometer survey data from 13 European countries in 2004, Kwon (2006) demonstrates that the probability of right party supporters defecting to the left increases by 8% when they perceive a deteriorating employment situation; when a left government is in power, however, parties of the left are held accountable for rising employment insecurity, with habitual supporters of the left becoming 10% less likely to support a left incumbent. It is interesting that the latter results resemble the more often replicated partisan effects of simple unemployment reported by Hibbs (1977). The former results are more surprising, given the common view that partisan voting reaction to unemployment depends on which party is in office. An unmoderated swing toward the left from unemployment does find precedent, however (e.g., Swank 1993, Carlsen 2000).

Intriguingly, different partisan electoral effects emerge once the electorate is divided into subgroups. Consider the results that Rueda & Anderson (2004) find from separating out "insiders" (nonmanagement unionized workers with full-time or willingly part-time employment) and "outsiders" (unemployed, underemployed, or fixed-term temporary workers) from the survey respondents in 20 democracies in 1997. They learn that insiders are more than twice as likely as other respondents to support the left. (Respondents were coded as supporters of the left if they answered "center-left" or "left" to a question about party affiliation on a left-right continuum.) Among insiders, however, the likelihood of supporting the left drops by 23% when they perceive less job security. This accords with other claims by Rueda (2005) that social democratic parties protect their core constituents—insiders—by foregoing labor market policies that could benefit the unemployed or underemployed. Trade openness, an even more direct measure of globalization than employment insecurity, magnifies the insider-outsider disparity. A high level of trade openness makes insiders between approximately six (low job security) and eight (high job security) times more likely to support the left. Among outsiders, high trade openness decreases the likelihood of those with high job security supporting the left, and low trade openness increases the likelihood of those with low job security favoring the left.

The small number of studies in this emerging area makes the findings more suggestive than definitive. Nevertheless, the breakthrough by Scheve & Slaughter (2004) tying globalization to employment insecurity has cleared the way for future studies to use employment insecurity as a key variable in investigating globalization's effects on the vote. Extant research already indicates that employment insecurity plays a role in support for anti-establishment parties and maybe even in support for the left.

ACCOUNTABILITY

An indisputably central component of democratic politics—and one possibly exercised less under globalization—is the capacity for citizens to hold elected governments accountable. Democratic accountability has been the focus of an extensive literature that features one of the most robust findings in the study of politics: Voters regularly punish governments for poor economic outcomes (Lewis-Beck & Stegmaier 2000). Within this literature, long-standing debates concern precisely how voters assess the economy when forming their decision whether to support the government. Do they consider the economy retrospectively or prospectively? Do they weight their own (pocketbook) or national (sociotropic) wellbeing more? And, more recently (Wlezien et al. 1997, Duch et al. 2000, Evans & Anderson 2006, Lewis-Beck 2006), do objective or perceived economic conditions offer greater validity as predictors?

Many of the early studies examining the relationship between the economy and the vote were limited to single countries with single-party majority governments, most often the United States or Britain. Although these studies offered mostly consistent support for economic considerations in the vote, their strong findings proved puzzlingly unrobust in cross-national samples (Paldam 1991). Researchers thus realized that the strength of the "economic vote" is conditional on the institutional context: Where clarity of responsibility for economic outcomes is high, so is the degree to which voters hold governments accountable for the economy (Powell & Whitten 1993). Most work on clarity of responsibility centers on parties and institutions (e.g., Whitten & Palmer 1999, Duch & Stevenson 2005), but more recent work considers how variation among electorates themselves (Kayser & Wlezien 2006) and, most importantly, economic interdependence condition voters' response to the economy.

Not all governments are equally able to influence the performance of their national economies. Political scientists have long noted that small, economically open states are more price takers than price setters in the global economy and must form policy accordingly (Katzenstein 1985). Globalization implies that not only small states face such a predicament. With increases in cross-border capital flows and in the proportion of trade in gross output, traditional tools of short-run macroeconomic management lose their efficacy. Governments can still influence long-run economic performance through supply-side measures such as capital investment and education (Boix 1998), but the short-run fluctuations on which they are evaluated are increasingly determined abroad.

Hence a puzzle: If voters hold governments less accountable in political and institutional settings that constrain their efficacy, should they not provide the same consideration for economic fluctuations beyond the government's control? One could argue that voters are more knowledgeable about political constraints such as divided government, coalition government, or ideological incompatibility of coalition members than they are about the proportion of economic variation that originates abroad. One could also argue that by decreasing overall volatility in output, international economic integration increases voters' ability to extract information about politicians and select competent ones (Scheve 2001) rather than just punishing those who preside over weak economies. Considerable evidence, however, suggests that interdependence does weaken the relationship between the economy and the vote.

Hellwig (2001) opened this debate over the role of globalization in electoral accountability. Employing data from the Comparative Study of Electoral Systems (CSES) collected in nine industrialized countries following elections between 1996 and 1998, he revealed that the effect of perceived economic performance on the likelihood of voting for a government party declines as the proportion of trade in a country's gross domestic product (GDP) increases. Of course, trade openness is correlated with many other features that could account for the strength of the economic vote. For example, given that openness is measured as the proportion of trade in GDP, small countries are by definition more open than large countries with larger GDPs in the denominator. Small countries are also more likely to have proportional electoral systems and coalition governments.

Hellwig does control for many institutional features, but the best support for his mechanism emerges from patterns within the individual-level data. If cognizance of the restraining role of the international economy indeed motivates voters to hold governments less accountable for domestic economic performance, it is those individuals most knowledgeable of and affected by the international economy who should modify their behavior the most. Hellwig confirms this. Similarly corroborating results emerge from the sectoral breakdown of workers. For example, trade openness has no effect on economic voting by public sector workers, but among private sector workers it clearly weakens the relationship between the economy and the likelihood of voting for a government party. Supportive results also emerge for unionized and nonunionized workers, respectively, although a significant moderating effect for trade openness among service sector workers—but not their agricultural and, especially, industrial—counterparts is more puzzling.

Though ground-breaking, Hellwig (2001), of course, is not definitive. Questions remain about robustness in larger samples, partisan governmental effects, other components and measures of economic integration, and the validity of perceived measures of the economy. To varying degrees, subsequent papers have addressed these issues. Fernandez-Albertos (2006) regresses dichotomous vote intent on three measures of perceived economic performance using Eurobarometer survey data collected from 15 European countries in the autumn of 1997. Surprisingly, he finds no evidence that trade openness moderates the relationship between general economic expectations and progovernment vote intent. Prospective pocketbook expectations prove similarly insulated from trade openness in their effect on vote intent but, curiously, the relationship between employment expectations and the vote does reveal a conditioning on trade openness, albeit only under left governments.

Given the preponderance of evidence in the economic voting literature suggesting that voters rely more on retrospective than prospective measures of the economy in forming a vote choice (cf. Lewis-Beck & Stegmaier 2000), the modest evidence that Fernandez-Albertos finds of conditioning on trade openness is perhaps unsurprising. The one measure that moderates the effect of interdependence on the vote—economic expectations—intriguingly resembles the results on the electoral effects of job insecurity, most specifically those of Rueda & Anderson (2004).

So, does integration into the international economy alter the relationship between voter and government? Does globalization moderate the economic vote? Noting the need for more definitive work, the limited samples of earlier work, and the perils of perceived rather than objective measures of the economy (e.g., Wlezien et al. 1997, Duch et al. 2000, Evans & Anderson 2006), a new study has assembled an impressively broad dataset. Hellwig & Samuels (2007) analyze aggregate data from 75 countries for 560 elections that occurred over the 27 years from 1975 to 2002. Employing a continuous dependent variable (the percentage of votes received by the party of the incumbent head of government) and an objective rather than perceived measure of economic performance (annual percentage change in per capita real GDP), they confirm that economic interdependence alters the relationship between voters, their government, and the economy. Whether measured in terms of trade openness or capital flows relative to GDP, greater international economic integration is associated with a weaker relationship between growth in real GDP and vote share for the head of government's party. In a fully autarkic economy, a 5% increase in per capita GDP growth is associated with slightly more than a 4% increase in support for the incumbent, but once trade reaches 77% of GDP, the effect of growth on the incumbent becomes statistically indistinguishable from zero. International capital flows reveal a similar effect. Given domestic capital markets completely closed to the outside, a 5% increase in GDP growth corresponds to a 2.5% boost in support for the government; once gross private capital flows exceed 23% of GDP—as they do in 27% of elections in Hellwig & Samuels' (2007) sample—growth's effect on the vote also becomes statistically insignificant.

In summary, these studies strongly suggest that a quintessentially domestic democratic process—how voters employ elections to control their governments (cf. Ferejohn 1986)—is influenced by the international economy. Puzzles certainly remain about the micromechanism. Why, for example, do voters exonerate their national governments for downturns in the international economy but punish U.S. state governors (Hansen 1999) and subnational officials in Argentina (Gelineau & Remmer 2006) for national economic variation?[3]

Similarly, if voters are sufficiently sophisticated to allow for coalitional and institutional constraints on incumbent authority (Powell & Whitten 1993), why are they unable to recognize that the performance of regional economies is largely nationally determined? Coattail effects from simultaneous national and regional elections may explain some of these discrepancies, but research into micromechanisms would be enlightening. The evidence, however, that voters do condition their electoral response to the economy on the exposure of their country to the international economy is increasingly compelling. Globalization, it appears, may be altering one of the most fundamental processes by which citizens influence governments in democracies.

INTERNATIONAL BUSINESS CYCLES AND THEIR ELECTORAL CONSEQUENCES

An important area of research on globalization, prominent in economics but neglected in political science, is the emergence of international business cycles. Economists have long been interested in the comovement of national cycles (Zarnowitz 1992), but by the 1990s, the correlation in the business cycles of certain countries and regions warranted an expansion of interest. The degree of comovement was sufficiently high by the late 1990s that a regional cycle was evident in Asia (Selover 1999); that it made sense to speak of a single "European Business Cycle" (Artis & Zhang 1997, 1999); and that even developing countries revealed correlated cycles (Mendoza 1995). International trade (Frankel & Rose 1998), more than other potential sources (Baxter & Kouparitsas 2005), has emerged as the most robust predictor of business cycle correlation between countries, and the persistent expansion of cross-border trade since the middle of the twentieth century has brought a concomitant rise in international comovement of many macroeconomic aggregates. Considering a global sample, it is now possible to say (Kose et al. 2003) that there is a distinct *world* business cycle that accounts for a

[3]One provocative paper (Achen & Bartels 2002) has even suggested that voters penalize incumbents for acts of God, such as drought, flu, and shark attacks.

substantial portion of change in output growth in many countries. Specifically, we know that this world business cycle (*a*) accounts for a larger fraction of business cycle variance in developed than in developing countries, (*b*) explains a larger fraction of fluctuations in output than in consumption in most states, and (*c*) is the source, in most regions (such as Europe), of covariation that studies with smaller samples had mistaken as regional business cycles.

If the macroeconomic performance of developed countries is so highly correlated, what implications does this have for political responses to the economy? An abundance of earlier studies focused on the constraints of mobile capital and export competition on policy formation, but the emergence of international business cycles poses the possibility of direct effects on electoral politics. Greater comovement in economic cycles suggests three specific consequences: more synchronous political responses by governments, more synchronous responses by electorates, and better benchmarking by voters of domestic economic performance relative to foreign performance. Suggestive evidence for each of these possibilities is reported in the small number of studies that have directly or indirectly addressed the consequences of international business cycles.

Consequence 1: More Synchronous Political Responses by Governments

Already in the 1970s, Tufte (1978) noticed a temporal clustering of elections among industrialized democracies and worried about its effect, given political business cycles, on the international economy. Tufte's fear of more pronounced political business cycles as multiple countries approached elections proved unfounded (Thompson & Zuk 1983), but newer research suggests the converse causality, that international business cycles invite synchronous elections. Studies of election timing argue that governments, where politically and institutionally able, call early elections during exceptional economic expansions (Kayser 2005) and prior to expected downturns (Smith 2003). If exports, and consequently business cycle correlations, have risen (Baxter & Kouparitsas 2005), should not election cycle correlations have risen as well? Kayser (2006) shows precisely such a relationship. Employing a sample of 13 OECD countries in which governments are politically and institutionally able to call early elections, he demonstrates that export booms significantly increase the hazard of opportunistic elections as a government proceeds through its term. A one-standard-deviation expansion in export growth beyond its mean—that is, from 2.8% to 11.3%—corresponds to a 4.3% increase in the risk of early elections when a parliament has run through only half of its term, but to a 34.4% increase in a more mature parliament with a quarter of its term remaining, and to a 56.5% increase in an old parliament with only a tenth of its term remaining. This general result is robust to alternative codings of opportunistic elections and, most intriguingly, finds support in its ancillary implications: The elections of the most economically integrated countries—those of Western Europe—have become increasingly clustered over time. Election timing, seemingly a quintessentially domestic political process, is endogenous to the international economy.

Consequence 2: More Synchronous Responses by Electorates

Voters in multiple states may respond similarly to common economic shocks. Seemingly domestic economic fluctuations, which trigger domestic political responses, are to some degree international in origin and likely to be experienced abroad as well. Observers of politics have often commented on concurrent shifts in the fortunes of the left or right across multiple countries (e.g., Economist 1997, Jerome et al. 2006), just as scholars have documented multinational swings in the ideological self-placement of voters in developed democracies. Notably, Kim & Fording (1998, 2001) document significant ideological comovement in a sample of 13 western democracies between 1952 and 1989. All other things equal, ideological shifts in populous states predict similarly signed changes in smaller neighbors. A one-point shift in neighboring countries' ideological placement corresponds to a 0.14-point shift in a country with a population 10% as large as its neighbors. Kim & Fording do find weak economic effects—inflation drives voters to the right under left governments—but, surprisingly, these effects do not erode the effect of neighboring countries' ideological shifts. The source of this noneconomic partisan "diffusion" is unclear. Given the notoriously meager levels of information commanded by voters about politics in their own country (cf. Campbell et al. 1980 [1960], Zaller 1992, Clarke et al. 2004), let alone in other countries, the likelihood that voters directly respond to events or changing sentiment abroad seems remote. International diffusion via imitation occurs but most often among informed elites (Elkins & Simmons 2005). Thus, Kim & Fording present a two-part puzzle: (*a*) What drives the international covariation of left-right ideological self-placement? And (*b*) what extensions to electoral politics, if any, exist?

The question of whether comovement in ideological preferences extends to electoral preferences has not gone unstudied. Already in the 1980s, after observing the right's rise to power in multiple English-speaking democracies, Mishler et al. (1988) included British, Canadian, and U.S. electoral outcomes in common domestic vote models for each country. Finding no effect, they concluded that national electoral politics is indeed independent. Similar in result, if not method, Host & Paldam (1990) offered a more idiosyncratic test for international influences on the vote. Like Mishler et al., they focused on foreign election results, rather than external economic variation, as predictors of domestic elections. Chronologically ordering the left/right change in the vote in elections held between 1948 and 1985 in 17 developed democracies into a single vector, they simply tested for autocorrelation. Like Mishler et al., they could not reject the null. The chronological sequencing of often distant and disparate states, however, provides an unpromising environment for economic—especially trade-driven—mechanisms to emerge. Few observers would expect New Zealand to influence Japan, let alone Sweden. A more reasonable test would examine geographically proximate and economically integrated states. Midtbo (1998) developed such a test. Reasoning that interdependence effects are most likely to show up where interdependence and political similarity are greatest, he ran a vector autoregression on macroeconomic performance and social democratic popularity in three Scandinavian countries—Denmark, Norway, and Sweden—between 1967 and 1992. Although some evidence of partisan policy cycles emerged, yet again no evidence of external influence on domestic elections was found. Unfortunately, as discussed below, later research suggests that Midtbo's sample may have predetermined his null result.

Despite the inauspicious record of null findings in three previous studies, a recent study has yielded starkly different results. The measures employed by Kayser (2007) allow for the simultaneous influence of multiple countries; account for geographical proximity; measure partisan sentiment at regular and relatively short intervals; and focus, unlike Midtbo, on countries with the political and institutional context that allows voters to assign responsibility to parties for economic outcomes (Powell 2000). Kayser reports evidence of international comovement in vote intent for the left. (Midtbo's error, apparently, was to employ a sample of Scandinavian countries prone to minority and/or coalition governments in which clarity of responsibility, and hence the economy's influence on the vote, is low.) Using an error-correction model and semiannual Eurobarometer data collected from 1976 to 1997, Kayser's analysis associates a ten-point increase in (population-weighted) vote intent for the left among a country's neighbors with a 4.5-point increase domestically over the long run. Intriguingly, this effect proves robust to growth and inflation covariates but dissipates when changes in unemployment are included in the model, implying that the neighbors' vote intent variable was capturing the (initially omitted) effect of internationally correlated variation in unemployment. Partisan vote intent, it seems, does move in international waves but may be driven by common shocks to unemployment.

A direct link from international economic covariation to synchronous shifts in support for the left would imply that economics rather than cross-border imitation explains partisan comovement. Research on how macroeconomic variation affects partisan support—in contrast to the less partisan but more predominant accountability model of economic voting—has yielded mixed and sometimes contradictory results. Scholars have argued that increases in unemployment and/or decreases in growth motivate voters to favor the left in order to increase social protection (Rattinger 1991, Swank 1993, Bohrer & Tan 2000, Carlsen 2000). Others find that electoral support for the left *decreases* during contractions and periods of high unemployment and inflation (Stevenson 2001) when governments can least afford to follow a liberal policy agenda and policy mood shifts to the right (Durr 1993). Of course, partisan effects could also be conditioned by the partisanship of the government: Left governments are punished for high unemployment and right governments for high inflation (Hibbs 1977). Such a conditional partisan effect of the economy would necessarily dampen the magnitude of partisan comovement, as only a fraction of governments would be susceptible to a simultaneous shock.

The true partisan effect of the economy remains uncertain. A more definitive answer likely requires more nuanced research such as that of Rueda & Anderson (2004), discussed above. In the meantime, however, a definitive result on the partisan effects of the economy is still awaited.

Consequence 3: Better Benchmarking of Domestic Economic Performance

Finally, correlated national business cycles may help voters assess their government's economic competence. Synchronous business cycles both provide voters with a baseline performance against which their government's achievements can be compared and allow voters—by observing which shocks are common—to distinguish those shocks for which their government may be held responsible from those that originate externally. Simple comparative measures of economic performance, such as the difference between domestic growth and mean growth in neighboring states, have seen prominent, if not prevalent, use before (e.g., Powell & Whitten 1993), but new methods promise new insights. Most auspiciously, Duch & Stevenson (2007) provide an innovative method for estimating the government competency signal that voters can extract by considering variation in the domestic and global economy. They then present evidence (*a*) that voter economic perceptions track objective economic variation sufficiently well to enable voters to extract such a competency signal, (*b*) that these signals condition voters' electoral behavior, and (*c*) that the strength of the signal increases with both trade openness and the size of the private sector.

Summary of Consequences

International business cycles pose intriguing if understudied consequences for domestic politics. They raise the possibility that governments, through opportunistic election timing, can distort the competence signals received by voters, but they also enable voters to extract more accurate competence signals by comparing domestic and international performance. Suggestive patterns in the international comovement of both ideological and partisan preferences among voters imply that if political comovement is driven by economic covariation—a big "if"—common shocks are not completely discounted by voters.

WINNERS, LOSERS, AND THE DECLINE OF DOMINANT PARTY SYSTEMS

A fair amount of political science research has considered how international economic integration influences the welfare of various societal groups. The most prominent contribution in this area is Rogowski's (1989) extension of the Heckscher-Ohlin Stolper-Samuelson trade framework to predict political cleavages between urban and rural interests and between capital and labor. Subsequent studies have sought out more specific political cleavages as a consequences of globalization (e.g., Kriesi et al. 2006) but the overwhelming majority have focused on domestic coalitions promoting or opposing further liberalization. Hiscox (2002), for example, has ingeniously argued that declining factor mobility, most notably for labor, undermines the Stolper-Samuelson framework in favor of a (Ricardo-Viner) specific-factors approach. Simply stated, the increasingly specific skills in the workforce connect workers more strongly to their industry than to their class. Consequently, he predicts that sector-specific coalitions should displace class-specific coalitions in trade policy debates. Hiscox has retained a focus on the effects of trade on domestic coalitions, but the central and most salient purpose of such coalitions is trade policy itself. Indeed, this narrower focus on trade policy preferences is characteristic of most literature investigating the effect of international trade on the political preferences of voters (e.g., Gabel 1998, Mayda & Rodrik 2002, Scheve & Slaughter 2001, Kaltenthaler et al. 2004, Baker 2005, Karol 2007). Although preferences over trade policy do qualify as a political effect of globalization, such studies are too narrowly focused for the purposes of this article.

Recently, however, scholars examining the sectoral consequences of trade liberalization have highlighted a more fundamental political effect. Following Rosenbluth's (1996) contention that internationalization bore deleterious consequences for Japan's dominant Liberal Democratic Party (LDP), a number of researchers have—sometimes independently—observed that international economic integration has undermined dominant parties in Mexico (Diaz-Cayeros et al. 2003), Japan (Anderson & Iishi 1997), and Italy (Golden 2004). In each of these countries, an entrenched party that had remained in office for decades has lost electoral support in a manner consistent with exposure to the international economy. The sectoral and, consequently, electoral effects of freer trade in goods and services on the stability of party systems dominated by a single party therefore constitute the fourth major category of globalization's effects on domestic politics examined in this survey. Does globalization undermine dominant party systems?

Although similar in result, the cases of dominant party decline documented in the literature are quite different in mechanism. Whereas Anderson & Ishii (for Japan) focus on deleterious effects of international competition on dominant party constituencies, Diaz-Cayeros et al. (for Mexico) and Golden (for Italy) emphasize the opportunity cost to particular business interests of retaining corrupt and inefficient government. Consider how the patronage-driven Christian Democrats (DC) lost support during the run-up to European Economic and Monetary Union (EMU) in Italy. Social groups associated with those businesses least implicated in the DC's network of kickbacks and favoritism—often small enterprises in the North—defected from the DC's coalition once currency union appeared on the European Union's Maastricht agenda in 1991. As Golden (2004) recounts, these groups benefited the least from DC rule and stood to gain considerably from a fixed exchange regime (in the form of a currency union) that would reduce international transaction costs, abolish exchange rate risk (which, unlike large enterprises, they could only inadequately hedge against), and expand exports to other EMU states. Lacking confidence in the DC, which had formed or participated in every government since 1948, they transferred their support to regional parties, most notably the Northern League. The international economy, specifically because it was exogenous to the domestic political equilibrium, changed the payoffs to societal actors, which triggered the collapse of DC support to less than 30% for the first time in the postwar period. The weakened DC, in turn, could not quash judicial investigations that indicted large parts of the postwar political and business establishment; nor could the party thwart pressure for electoral system reform that came soon after and effectively ended "the first Italian Republic."

Golden's account of the demise of DC hegemony, like Diaz-Cayeros et al.'s account of defections from Mexico's Institutional Revolutionary Party (PRI), is noteworthy as an exemplar of why, as Frieden & Rogowski (1996) put it, internationalization is better understood as "exogenous easing of international exchange." The opportunity cost of abstaining from exogenously occurring economic integration is itself influential, an incentive missed by the simple use (and interpretation) of trade and capital flows as a proxy for globalization. Golden's study, like most, also employs a measure of trade exposure to capture the effect of globalization in Italy's 32 election districts, but her interpretation differs. She argues that it is precisely in the most trade-exposed districts that the opportunity cost of failing to qualify for EMU would be the greatest. Regressing change in the DC's vote share in the 1987 and 1992 elections on trade exposure and a number of domestic variables, she finds, consistent with her expectations, that exposure to trade predicts the weakening of DC support. Each standard deviation increase in the trade exposure of an electoral district corresponds to an additional 1.9% of the vote lost. Unsurprisingly, the conventional explanation for the DC collapse—that the end of the Cold War removed the motivation for many Italians to support the corrupt DC as a bulwark against the Italian Communist Party—also receives support in the data. The new insight, however, is that international economic integration also matters.

Anderson & Iishi (1997) feature a similar measure of trade openness, but they consider change rather than levels, and they emphasize welfare losses among import competitors rather than the opportunity costs of the status quo. Noting the inconsistent findings in the literature about how Japanese voters respond to the economy, they ask whether adverse welfare effects from international trade liberalization for LDP constituencies might undermine support for the government. From its formation in 1958 to the present, the LDP has dominated Japanese politics and has never been out of government. The LDP did, however, experience a diminution of its dominance in periods of trade liberalization in the 1980s and 1990s that harmed its core constituents: small businessmen and farmers. Recognizing this shift, the party compounded rural woes by favoring policies intended to woo new white-collar urban constituencies. Anderson & Iishi hypothesize that Japanese trade liberalization—often under international pressure—weakened LDP electoral domination by harming the economic interests of rural LDP constituencies that had previously benefited from protectionism and patronage. Collecting data from the 25 elections for the House of Representatives (lower chamber) and House of Councilors (upper chamber) between 1958 and 1993, they find no evidence that domestic economic variables (GDP growth, inflation, unemployment) affect governmental popularity but clear evidence that greater trade exposure corresponds to lower LDP vote share. Every 1% increase in the share of trade in Japanese GDP is matched by a ~1% loss in vote share for the LDP. As in Italy, the erosion of dominant party support—albeit only partial in Japan—was followed by change toward an electoral system promising more direct accountability.

In Japan, Italy, and Mexico, internationalization of the world economy played a role in the demise or, at least, retrenchment of a dominant party equilibrium that had prevailed for decades. Variation in the mechanism of change and method of research raises questions for subsequent research. It would be interesting, for example, to compare trade exposure in Japanese election districts much like Golden did in Italy. Conversely, examining change in trade exposure in Italy and Mexico might yield useful insights. One also wonders whether the erosion of other dominant party systems following international market liberalization—for example, the decline of the Congress Party's domination of Indian politics after then Finance Minister Manmohan Singh's reforms in 1991—might be explained by globalization. One thought bears consideration: The overarching finding of the limited research in this area is that international economic integration changes the payoffs of domestic actors and therefore has the potential to upset long-standing political equilibria in patronage-based systems.

DISCUSSION AND CONCLUSION

In the decade since the publication of the landmark studies collected by Keohane & Milner (1996), a vibrant new body of research on the effect of globalization on political—often electoral—processes has emerged in disparate sections of the political science literature. By surveying them together, this review seeks to build the case that such studies, in toto, constitute a new wave of research, distinct from earlier studies of what Gourevich (1977) once titled "the second image reversed": the effect of international variation on domestic politics. Whereas earlier studies predominantly focused on policy consequences of international economic integration, these new studies actually consider how the international economy structures domestic politics per se. My focus here is on electoral politics—repercussions of globalization for the accountability of governments, support for antiestablishment parties, election timing, and stability of dominant party systems—but other domestic political effects beyond the scope of this article are undoubtedly present.

For example, the question of whether globalization undermines dominant party systems is not far removed from questions of democratization, corruption, and endogenous institutional choice. Although beyond the remit of this survey, these topics warrant at least a brief review. Much the same mechanism of changing sectoral incentives that motivates voters to abandon the status quo—and even to forego patronage—could spur actors to demand institutional change. Among the most dramatic changes could be abandoning a rentier or other patronage-based state in favor of democracy and the rule of law. Scholars have associated globalization with changes in the levels of public corruption (e.g., Sandholz & Gray 2003), and initial studies have already tied at least some forms of economic globalization to democratization. Li & Reuveny (2003) find that although foreign direct investment is positively associated with democracy, trade openness and portfolio have the opposite effect; Colaresi & Thompson (2003) also find a complex relationship. One wonders whether the distribution of gains and losses from international market integration to specific sectors and industries—as in mechanisms reviewed above—may offer a better method of gauging trade's effect. Regardless of the precise mechanism, however, the fact that scholars are considering international economic integration as a possible source of democratization signals the expanding interest in globalization's more fundamental effects. The novelty of this interest is underscored by the fact that a survey of research on democratization published as recently as 1999 makes no mention of globalization (Geddes 1999).

Other changes, less fundamental than democratization but nevertheless substantial, also occur as domestic political responses to globalization. Two decades ago, Rogowski (1987) associated trade openness with the endogenous choice of proportional electoral systems (but see Rogowski & Kayser 2002), and his more recent work has returned to this puzzle (Chang & Rogowski 2005). This branch of research, however tantalizing, is nevertheless still largely dormant: A recent survey of the sources of electoral system change notes Rogowski's (1987) as the only theory considering the international economy (Benoit 2004). More attention has been garnered by two similarly promising research initiatives on how factor flows may influence politics. As Franzese (2002) has noted, there is now reason to believe that the liberalization of international capital flows has constrained the emergence of political business cycles (e.g., Clark et al. 1998, Clark & Hallerberg 2000). International labor flows have also yielded intriguing political repercussions. Immigration, in fact a classic factor flow, has become segregated from much of the globalization literature, perhaps because it has not experienced dramatic recent growth as trade and capital flows have. That it has clear consequences for electoral politics, however, is not in question (cf. Mughan & Paxton 2006). Because emigration is not random—those more disaffected with the regime are more likely to leave—Bravo (2006) has been able to show a political effect in regions of Mexico that have lost the most population.

In summary, I have argued that the recent wave of research reviewed here constitutes a new development in the study of the domestic effects of globalization. This article has presented evidence that the consequences of international economic integration extend well beyond questions of policy autonomy, the size of the welfare state, and similarly popular but policy-oriented issues. The findings reviewed here constitute a novel expansion of the study of globalization toward domestic and electoral politics and may herald the arrival of international economic effects as a common concern in the study of many domestic political processes.

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